

SURVIVE THRIVE



Natural Selection

Financial Services Forum

21-22 May 2018 • Hilton Sydney



**Actuarial
Institute**



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Whole of Wealth in Retirement

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Aged Care – What is it?

- **Three different principal programs**
 1. Commonwealth Home Support Program (CHSP)
 - close to 1,000,000 people
 2. Home Care Packages (HCPs)
 - 87,000 HCPs (95,000 people) now, rising to 151,000 places in 2021
 3. Residential Care (RACFs) or Nursing Homes
 - around 200,000 places (230,000 people)
- **Other smaller programs** include Respite Care, Transition Care, ATSI Flexible Care, Multi Purpose Services, Dementia Support, Advocacy, etc.

Aged Care – How is it accessed?

- **My Aged Care is the Gateway to aged care**
 1. Website and Call Centre for information, advice and referral
 2. Aged Care Assessment Teams (ACATs) assess for eligibility for RACFs and HCPs and Regional Assessment Services (RAS) assess for CHSP
 3. Centrelink assesses for Means Test (RACFs and HCPs) and Income Test (CHSP)
- **In CHSP** you get referred to possible providers of basic services
- **In HCPs** you **get assigned the package** and choose your provider
- **In RACFs** you find possible providers through My Aged Care, other websites or brokers or word of mouth

Aged Care – How is it regulated?

- Assessment services regulate eligibility (previous slide)
- Aged Care Quality Agency accredits RACFs through Accreditation and Reaccreditation Audits, and conducts annual unannounced visits
- Aged Care Complaints Commissioner receives and resolves complaints from consumers and staff, refers issues to Quality Agency or Department
- Department acts on issues referred by Quality Agency and Complaints Commissioner and decides sanctions / closures / other action.



Aged Care – How is it changing?

- Single Quality and Safety Agency commencing 1 January 2019 combining Quality Agency and Complaints Commissioner functions, and from 1 January 2020 Departmental functions.
- In principle decision by government to **place residential care funding in hands of consumers**, subject to Impact study to be conducted this year
- Pilots of Consumer Support Services providing face to face support to people trying to access and navigate aged care
- Huge increase in Home Care Packages makes HCPs comparable with residential aged care = “the new norm”; BUT long waiting lists
- Lots more, but ...



Aged Care – What does it cost?

- CHSP varies between States because of history of being a State run, joint funded program. Should be common fees. Plan is to change this, but....
- HCPs – which range from \$8K to \$49K pa - maximum “basic fee” of 17.5% of pension = \$23 per day. Same across all four HCP levels – should be made proportionate. Also Income tested so can be more.
- RACFs – people pay accommodation charge unless have no assets or home lived in by protected person, the government pays \$51 per day.
Accommodation charge = average \$250K to \$380K. Can pay either RAD (bond- fully refundable) or DAP (rent) - for \$380K RAD = \$60 per day - or mix



Aged Care – What does it cost/2?

- Open market on accommodation costs to \$550K then need approval (may rise to \$750K)
- Hotel costs = 75% of pension;
- Care costs = government pays unless Means Tested then can pay more.
- Extra service fees permitted for items of real benefit
- Annual and Lifetime caps apply to Means Tested fees only

Aged Care – What might it cost?

- Productivity Commission seminal report in 2011 recommended higher user charges for all aged care, including inclusion of principal residence in single means test.
- Also recommended by David Tune Legislated Review of Aged Care Reform in 2017 – ruled out by Cabinet – electoral cycle !!
- Also policy of National Aged Care Alliance (NACA) which includes all provider peaks, consumer peaks, unions and professional organisations – taken to several elections
- No question that irrespective of position on residence, higher user charges will become key feature of future of aged care.

Why does it matter – only a minority need it?

- Only 7% of people over 65 in residential care at any time – true but irrelevant. Entry age to residential now about 85 years.
- **Actuarial chance** after 65 of needing residential care = (wait for it) **1 in ???**. I have a actuarial-based graph I can provide.
- That makes it an essential thing to plan for in retirement if you don't die first – and remember Residential is only the minority of aged care.
- If you need high level care and prefer to stay at home, you will **HAVE** to pay a co-contribution; you are increasingly likely to need to pay a **means tested fee**; there are **long waiting lists**; and the **maximum subsidy may not be enough**.

Issues in paying for aged care

- Chance you will need aged care other than Residential is very high, if you don't die first 😞.
- If you prefer to stay at home but don't have a substantial income, how do you pay if you are living in your major asset? Budget made major changes to Pension Loan Scheme. Will other equity release schemes develop? **What about planning for it with a CIPR with a deferred component?**
- If you need Residential care how do you know whether a RAD or DAP would be best? Varies between financial circumstances. Need good advice – from where? Providers supposed to give you 28 days to decide after admission but some don't. Short time to decide – best to do DAP first, can convert to RAD.

Issues in paying for aged care /2

- What is in your best interest may not be the view of your dependents/inheritors as to what is in their best interest!
- Complexities around Powers of Attorney, Advanced Care Directives and other instruments of delegation
- Elder abuse a real and growing problem

Conclusion and Questions

- Aged care needs / system / finances etc poorly understood
- Going into future this is a major late retirement need and financial issue – apart from what government provides, your capacity to negotiate what you want will always have a price tag.
- Deferred products have a capacity to provide additional resources later in life.

Questions